

Meeting Date: 12/2/08

# AGENDA REPORT

City of Santa Clara, California

Agenda Item # 6B-3



**Date:** November 24, 2008  
**To:** City Manager for Council Action  
**From:** John C. Roukema, Director of Electric Utility  
**Subject:** Approval to Delegate Signature Authority to the City Manager for Amendments to the Grizzly Development and Mokelumne Settlement Agreement

## **EXECUTIVE SUMMARY:**

In 2002, the California Independent System Operator (CAISO) embarked on a market redesign project that, amongst other directives, was designed to ensure that changes would be made to the CAISO's markets to avoid energy crises similar to those that occurred in California in the 2000-2001 timeframe. This market redesign initiative has become the Market Redesign Technology Upgrade (MRTU), and the CAISO is currently planning on having MRTU become fully effective by February 1, 2009.

Currently, Silicon Valley Power (SVP) schedules energy and ancillary services to meet its load serving obligations via the Grizzly Development and Mokelumne Settlement Agreement (Grizzly Agreement) between SVP and Pacific Gas and Electric Company (PG&E). Due to the broad and extensive changes that the CAISO is making via its MRTU program, certain changes to the Grizzly Agreement are required to allow the Grizzly Agreement structure to continue to be utilized once MRTU becomes effective. Some examples of changes or clarifications that will be captured in Amendment No. 5 to the Grizzly Agreement involve revised procedures for scheduling Grizzly Agreement energy and ancillary services in the CAISO's various markets (including the Real-Time Market) and various settlement procedures covering many of the new CAISO charge types under MRTU.

SVP, PG&E and Northern California Power Agency (NCPA) have been working on the draft Amendment No.5, and foresee the negotiations potentially extending into December of 2008. Amendment No.5 will also need to be filed with the Federal Energy Regulatory Commission (FERC) in order to be effective by the CAISO's currently-targeted February 1, 2009 MRTU "go-live" date. Therefore, staff is asking the City Council to delegate signature authority to the City Manager to enable timely execution of the completed Grizzly Agreement Amendment No. 5 sometime later this year.

## **ADVANTAGES AND DISADVANTAGES OF ISSUE:**

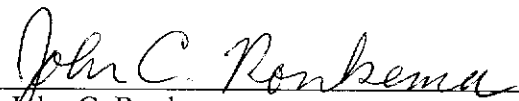
The Grizzly Agreement Amendment No. 5 will allow for a smoother transition into MRTU. There are significant control area and market changes taking place under MRTU, and thus significant modifications are required to the Grizzly Agreement to enable the Agreement to be workable under an MRTU regime. The operation of the Grizzly Agreement will change under MRTU, but the goal of Amendment No. 5 is to implement the changes while retaining the value of the Agreement.

## **ECONOMIC/FISCAL IMPACT:**

Because the MRTU program involves substantial pricing methodology changes for CAISO markets and settlements there may be financial impacts felt by SVP due to MRTU. Amendment No. 5 to the Grizzly Agreement will attempt to minimize the potential cost impacts experienced by SVP due to the CAISO's MRTU program.

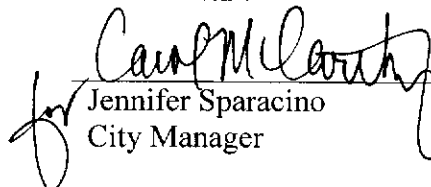
**RECOMMENDATION:**

That Council delegate authority to the City Manager to execute Amendment No. 5 to the Grizzly Development and Mokelumne Settlement Agreement, and future amendments required to implement the California Independent System Operator Market Redesign and Technology Update, pending final review by the City Attorney.



John C. Roukema  
Director of Electric Utility

APPROVED:



Jennifer Sparacino  
City Manager

*Documents Related to this Report: None*